

# Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended December 31, 2010.

## PRINCIPAL ACTIVITIES

The principal activities of the Group comprise the provision of a wide range of financial products and services with a focus on the three core businesses namely, insurance, banking and investment. There were no significant changes in the nature of the Group’s principal activities during the year.

## MAJOR CUSTOMERS

In the year under review, operating income from the Group’s five largest customers accounted for less than 1% of the total operating income for the year.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company’s issued share capital) had any beneficial interest in the Group’s five largest customers.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out in “Five-year summary”.

## RESULTS AND APPROPRIATIONS

The Group’s results in 2010 are set out in the section titled “FINANCIAL STATEMENTS”.

As stated in the 2010 audited financial statements of the Company prepared under CAS, the combined net profit was RMB17,938 million and net profit of the Company was RMB4,805 million. Pursuant to the Articles of Association and other relevant requirements, the Company shall make appropriation to the statutory surplus reserve fund based on the net profit of the Company as shown in the financial statements under CAS before determining the profit available for distribution to shareholders. The Company will make profit appropriation on such basis and set aside 10% of its net profit for the statutory surplus reserve fund. After making the above profit distribution and taken into account the retained profit carried forward from last year, according to financial statements prepared under CAS and IFRS, as well as the Articles of Association and other relevant requirements, the profit available for distribution to shareholders was RMB4,928 million.

The Company had distributed an interim dividend of RMB0.15 (including tax) per share for 2010, which amounted to a total of RMB1,146,621,313.80. The Company proposes to distribute a final dividend of RMB0.40 (tax inclusive) per share in cash for 2010, which will amount to RMB3,057,656,836.80 based on a total share capital of 7,644,142,092 shares, with the remaining retained profit being carried forward to 2011.

On the 13th Meeting of the 8th Session of the Board of Directors, the Company has approved the direct issuance of 272,000,000 new H shares to JINJUN LIMITED. If the direct issuance is approved by the relevant regulatory authorities

and the issue of shares is completed on or before the Record Date, being Thursday, June 16, 2011, such 272,000,000 new H shares issued under the direct issuance shall also be entitled to the 2010 final dividend of RMB0.40 (tax inclusive) per share, which in aggregate amount to RMB108,800,000.00.

The above proposal will be implemented upon approval at 2010 Annual General Meeting.

The Company has no plan to capitalize from capital reserve and surplus reserve.

Particulars on dividend payouts of the Company over the past three years are set out as follows:

(in RMB million)	Cash dividend amount (including tax)	Net profit attributable to owners of the parent	Ratio (%)
2009	3,395	13,883	24.5
2008	1,469	1,418	103.6
2007	5,142	18,688*	27.5

\* Net profit attributable to owners of the parent of 2007 had not been restated in accordance with the accounting policies after adoption of No. 2 Interpretation.

## DISTRIBUTABLE RESERVES

As at December 31, 2010, the Company's reserves available for distribution totalled RMB4,928 million, of which RMB3,058 million has been proposed as a final dividend for the year. The retained profits were carried forward to 2011. In addition, the Company's capital reserve and surplus reserve fund, in the amount of RMB74,333 million, may be distributed by a future capitalization issue.

## MANAGEMENT DISCUSSION AND ANALYSIS

For management discussion and analysis, please refer to the section headed "Management discussion and analysis".

## PARTICULARS ON INVESTMENT DURING THE REPORTING PERIOD

The proceeds from the Company's initial public offering of H shares and A shares in 2004 and 2007, respectively were completely used for general corporate purposes, and applied in accordance with applicable regulations of the relevant regulatory authorities. The non-raised fund of the Company mainly comes from its core insurance business. The Company has been strictly following the relevant requirements of CIRC on the application of insurance fund. All investment in relation to insurance fund was conducted in the normal course of operation.

## SHARE CAPITAL

The change in the share capital of the Company in 2010 and the share capital structure of the Company as at December 31, 2010 are set out in "Changes in the share capital and shareholders' profile".

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the "Consolidated statement of changes in equity", respectively.

### **CHARITABLE DONATIONS**

Charitable donations made by the Company during 2010 totalled RMB39 million.

### **PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES**

Details of movements in property and equipment and investment properties of the Group during the year are set out in notes 28 and 27 to the financial statements, respectively.

### **PRE-EMPTIVE RIGHTS**

There are no provisions regarding pre-emptive rights under the PRC Company Law or the Articles of Association, which would oblige the Company to issue new shares to its existing shareholders in proportion to their existing shareholdings.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed shares during the year.

### **DIRECTORS AND SUPERVISORS**

The information about Directors and Supervisors of the Company during 2010 and as at the date of this annual report are set out in "Corporate governance report" and "Report of the supervisory committee".

### **BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND MEMBERS OF THE SENIOR MANAGEMENT**

Biographical details of Directors, Supervisors and members of the senior management are set out in "Directors, supervisors, senior management and employees".

## **DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATION**

On April 8, 2009, as considered and approved by the 25th Meeting of the 7th Session of the Board of Directors and the 12th Meeting of the 5th Session of the Supervisory Committee of the Company, the Company entered into service contracts with all Directors of the 8th Session of the Board of Directors and all Supervisors of the 6th Session of the Supervisory Committee, respectively on July 1, 2009, and entered into service contracts with newly appointed Directors, Mr. Guo Limin and Mr. David Fried, and Supervisor representing the employees, Mr. Sun Jianping, on March 3, 2010, August 24, 2010 and March 31, 2010, respectively. Terms, duties, remuneration expenses and confidentiality duties of Directors and Supervisors, and commencement and termination of contracts were specified in the service contracts. As of December 31, 2010, no Director or Supervisor had a service contract with the Company which was not terminable by the Company within one year without payment of compensation other than statutory compensation.

Details of remuneration of the Directors and Supervisors for the year ended December 31, 2010 are set out in note 46 to the financial statements.

## **DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS**

On November 19, 2010, the 12th Meeting of the 8th Session of the Board of Directors has considered and passed the Resolution Relating to the Connected Transaction with New Horse. Ping An Trust, a subsidiary of the Company was approved to enter into the Agreement in respect of the Transfer of Equity Interests in Ping An Securities with New Horse, pursuant to which Ping An Trust shall acquire the 9.90% equity interests held by New Horse in Ping An Securities for a consideration of RMB1,218,368,586.60. This transaction is still pending the approval from CSRC. The Company has also acquired 42,160,000 shares in Ping An Life and 38,418,444 shares in Ping An Property and Casualty held by New Horse for a consideration of RMB83,097,200 and RMB104,015,133.40, respectively. As the transaction amount of these transactions did not reach the disclosure threshold, the same were not required to be submitted to the Board for approval. These two transactions had already been completed and submitted to CIRC for record and New Horse no longer held any shares in Ping An Life and Ping An Property and Casualty. As some of the Directors, Supervisors and senior management of the Company are the unit holders of the employee collective trust and they were deemed to have interests in the abovementioned equity transfer arrangement, they had already made Disclosure relating to the interests of Directors, Supervisors and Senior Management of the Company in the connected transactions with New Horse to the Board pursuant to Articles of Association of the Company.

Save as disclosed above, none of the Directors or Supervisors had a material interest, directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during 2010.

## **DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES**

Details of Directors' and Supervisors' interests and short positions in shares are set out in the section titled "Directors, supervisors, senior management and employees".

## **DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES**

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, Supervisors or their respective spouse or minor children, nor were any such rights exercised by them, or was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors or Supervisors to acquire such rights in any other body corporate.

## **DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS**

During 2010 and up to the date of this annual report, the following Directors are considered to have interests in a business which competes or is likely to compete, directly or indirectly, with the business of the Group, as defined in the Listing Rules, as set out below:

Mr. Wong Tung Shun Peter, a Non-executive Director of the Company, is currently the Chief Executive of HSBC, a Group Managing Director and a member of the Group Management Board of HSBC, and a Deputy Chairman of HSBC Bank (China) Company Limited which is the largest among foreign banks in mainland China and offers a wide range of banking and financial services by an ever-expanding network. As Ping An Bank, a subsidiary of the Company, is primarily engaged in commercial banking business in the PRC as approved by the CBRC, the authorized banking business of HSBC has, to a certain extent, overlapped and thus may compete with that of Ping An Bank.

Mr. David Fried, a Non-executive Director of the Company, is currently the Group General Manager and Group Head of Insurance for HSBC Holdings plc, who has the overall responsibility for the insurance and pension scheme businesses of the HSBC Group; Mr. Fried is also the Chairman and Chief Executive Officer of HSBC Insurance (Asia-Pacific) Holdings Limited. He is also the Chairman of HSBC Insurance (Asia) Limited, HSBC Life (International) Limited and HSBC Life Insurance Company Limited in mainland China. As Ping An Hong Kong, a subsidiary of the Company, is authorized by the Hong Kong Insurance Authority to conduct property and casualty insurance business, the respective authorized insurance business of HSBC Life (International) Limited and HSBC Insurance (Asia) Limited has, to a certain extent, overlapped that thus may compete with those of Ping An Hong Kong.

Save as disclosed, as far as the Directors are aware, none of the Directors and Supervisors had any competing interest in a business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

## **BOARD COMMITTEES**

The Company has established a Strategy and Investment Committee, an Audit and Risk Management Committee, a Remuneration Committee and a Nomination Committee. For details regarding these Board committees, please see the relevant sections in the "Corporate governance report".

## **THE WORK OF THE BOARD OF DIRECTORS**

The work of the Board of Directors is set out under "Corporate governance report".

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

For substantial shareholders' and other persons' interests and short positions in shares and underlying shares, please refer to section entitled "Changes in the share capital and shareholders' profile".

## **CONTINUING CONNECTED TRANSACTIONS**

For continuing connected transactions, please refer to section entitled "Significant events".

## **POST BALANCE SHEET EVENTS**

Details of the significant post balance sheet events of the Group are set out in the note 53 to the financial statements.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES CONTAINED IN APPENDIX 14 TO**

## **THE LISTING RULES**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the Code on Corporate Governance Practices for any part of the period from January 1, 2010 to December 31, 2010 except that Mr. Ma Mingzhe has occupied the positions of both the Chairman of the Board of Directors and Chief Executive Officer of the Company. Further details of the Company's arrangements and considered reasons for the Company's intention not to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer of the Company are set out under the section headed "Corporate governance report".

## **AUDITORS**

According to the resolutions of the 2009 shareholders' meeting of the Company, the Company re-appointed Ernst & Young Hua Ming as the PRC auditors of the Company for financial statements prepared in accordance with PRC Accounting Standards and Ernst & Young as the international auditors of the Company for financial statements prepared in accordance with International Financial Reporting Standards (hereinafter refer to "Ernst & Young") in 2010. As of the end of the reporting period, Ernst & Young has been providing audit services to the Company for nine consecutive years. The resolution on the re-appointment of Ernst & Young as the auditor of the Company will be proposed at the annual general meeting to be held on Thursday, June 16, 2011 for approval.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, being March 29, 2011, at all times during the year ended December 31, 2010, not less than 20% of the issued share capital of the Company (being the minimum public float applicable to the shares of the Company) was held in public hands.

By order of the Board of Directors

**Ma Mingzhe**

Chairman and Chief Executive Officer

Shenzhen, PRC

March 29, 2011